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1 IN THE UNITED STATES DISTRICT COURT  
2 FOR THE DISTRICT OF HAWAII  
3 JJCO, INC., dba JACKSON ) CIVIL NO. CV08-00419  
4 ISUZU, a Hawaii corporation,) SOM LEK  
5 Plaintiff, )  
6 vs. )  
7 ISUZU MOTORS AMERICA, INC., )  
8 a Michigan corporation; )  
9 JOHN DOES 1-10; JANE DOES )  
10 1-10; DOE CORPORATIONS 1-10;)  
11 DOE GOVERNMENTAL AGENCIES )  
12 1-10; DOE PARTNERSHIPS 1-10;)  
13 DOE ENTITIES 1-10, )  
14 Defendants. )

15 30(B)(6) DEPOSITION OF JACK JACKSON,  
16 Individually and on behalf of JJCO, Inc.,  
17 dba Jackson Isuzu  
18 Taken on behalf of Defendant Isuzu Motors America,  
19 Inc., at the Offices of Jackson Volvo, 704 Ala Moana  
20 Boulevard, Honolulu, Hawaii 96813, commencing at  
21 9:04 a.m., on Wednesday, June 1st, 2011, pursuant to  
22 Notice.

23  
24 BEFORE: PATRICIA ANN CAMPBELL, CSR 108  
25 Certified Shorthand Reporter

	Page 2		Page 4
1	APPEARANCES:		
2	For Plaintiff:		
3	DENNIS KING, ESQ.		JACK JACKSON,
4	700 City Center		called on behalf of Defendant Isuzu Motors America,
5	810 Richards Street		Inc., was first duly sworn to tell the truth, the
6	Honolulu, Hawaii 96813		whole truth, and nothing but the truth, and
7			testified as follows:
8			EXAMINATION
9	For Defendant Isuzu Motors America, Inc.:		BY MR. SMITH:
10	LEX R. SMITH, ESQ.		Q. Mr. Jackson, you and I have met before,
11	MARIA Y. WANG, ESQ.		so I don't think I need to go through a lot of
12	First Hawaiian Center, Suite 2600		background with you.
13	999 Bishop Street		A. Okay.
14	Honolulu, Hawaii 96813		Q. Do you agree?
15			A. Yes.
16			Q. Okay. Who are the shareholders of JJCO?
17			A. Myself, single.
18			Q. Any other shareholders besides you?
19			A. No.
20			Q. Who are the directors of JJCO?
21			A. Myself and my two sons.
22			Q. What are the names of your sons?
23			A. David Jackson and Marc Jackson.
24			Q. Who are the officers of JJCO?
25			A. I think I am the only officer, president, secretary, treasurer, yeah.
			Q. Who on behalf of JJCO is authorized to

	Page 3		Page 5
1	I N D E X		
2			1 deal with Bank of Hawaii?
3			2 A. Bank of Hawaii?
4			3 Q. I'm sorry. With First Hawaiian Bank?
5	EXAMINATION BY:	PAGE	4 A. In what regards?
6	Mr. Smith	4	5 Q. Well, I guess what I would like to know
7			6 is if there are different people who deal with First
8			7 Hawaiian in different capacities, if you would tell
9			8 me each of them and in what regard each of them
10			9 deals with the bank.
11			10 A. I do the financial arrangements with the
12			11 bank, and Debbie Tesoro is the -- she does the daily
13			12 transactions.
14			13 Q. Who is authorized to sign checks?
15	EXHIBITS FOR IDENTIFICATION	PAGE	14 A. Debbie and myself.
16	(None)	4	15 Q. Anybody else?
17			16 A. No.
18			17 Q. When was the last time JJCO held a board
19			18 of directors meeting, if ever?
20			19 A. I don't recall.
21			20 Q. Was it within the last year?
22			21 A. I don't recall.
23			22 Q. Okay.
24			23 A. I think there was -- no, it hasn't been
25			24 in a year.
			25 Q. Okay. Do you recall whether there has

<p style="text-align: right;">Page 6</p> <p>1 been a board of directors meeting of JJCO within the      2 past five years?      3 A. Yes, and Taryn has the minutes.      4 Q. Okay. How many meetings have there been      5 to the best of your memory in the past five years?      6 A. Two, maybe.      7 Q. Okay, does JJCO make loan payments to      8 First Hawaiian Bank?      9 A. Yes.      10 Q. Are those payments made monthly?      11 A. Yes.      12 Q. What is the amount of those payments?      13 A. They vary. There's no exact amount      14 every month.      15 Q. What document states how much JJCO is      16 obligated to pay each month?      17 A. The flooring arrangement that we have,      18 it's a reoccurring amount every month.      19 Q. I guess that's what I am asking is      20 whether it is the same amount. You said that it is      21 not the same amount every month, right?      22 A. That's right.      23 Q. So when you say it is a recurring      24 amount, what do you mean?      25 A. I meant to say that it was a moving</p>	<p style="text-align: right;">Page 8</p> <p>1 book value of the car.      2 Q. Okay, so if the blue book value is      3 \$20,000, how much is financed?      4 A. \$20,000.      5 Q. Okay. So First Hawaiian loans you the      6 blue book value of the car?      7 A. That's correct.      8 Q. Okay, so do you take trade-ins at JJCO?      9 A. Yes.      10 Q. If somebody trades in a used car at the      11 time they buy a new car, does First Hawaiian finance      12 that used car?      13 A. I would have to take the title and get      14 it financed, yes.      15 Q. Is that what you normally do?      16 A. Yes.      17 Q. Okay, and so you take --      18 Where do you take the title to get the      19 used car financed?      20 A. To the bank.      21 Q. You take the title to First Hawaiian?      22 A. Yes.      23 Q. Okay, so then when you sell a used car,      24 do you have to go back to First Hawaiian to get the      25 title?</p>
<p style="text-align: right;">Page 7</p> <p>1 target. It is not precise.      2 Q. Okay, and how do you figure out how much      3 to write the check for?      4 A. How many cars we have sold or not sold.      5 Q. Is that new cars or used cars or both?      6 A. Both.      7 Q. Okay, so explain to me what's the      8 formula. How do you determine how much the payment      9 is?      10 A. Well, it depends on the value of the car      11 that was financed.      12 Q. Okay. And when you say that was      13 financed, you mean that JJCO financed rather than      14 the customer who bought the car?      15 A. That's right.      16 Q. Okay. Okay, so do I need to -- do we      17 need to give an example? If the value of the car is      18 \$20,000, how does that affect the payment that you      19 make to First Hawaiian Bank?      20 A. Well, the value of the car is not going      21 to determine the payment. How much was financed is      22 going to determine the payment.      23 Q. Okay, and how is it determined how much      24 is financed?      25 A. If it is a used car, it is by the blue</p>	<p style="text-align: right;">Page 9</p> <p>1 A. Yes.      2 Q. Does First Hawaiian also finance 100      3 percent --      4 Well, do you sell used cars for more      5 than the blue book price?      6 A. Majority of the time, yes.      7 Q. Okay. So the blue book, I guess blue      8 book has more than one price. Are you saying First      9 Hawaiian loans you 100 percent of the wholesale blue      10 book?      11 A. They use the Kelly blue book book out      12 sheet, and they loan us that amount or our cost,      13 whichever is lower.      14 Q. Do you normally -- what do you call it?      15 The something sheet?      16 A. The Kelly blue book sheet, it is a print      17 out sheet from the blue book.      18 Q. Is that different than the blue book      19 price that one could look up, say, on the internet?      20 A. The blue book has changed recently where      21 it has actually three numbers on it, the wholesale      22 value, an auction value, and a, oh, what is the      23 other value? And I'm not sure which one the bank      24 uses, to be honest with you. There are three values      25 on the blue book, so they use the book out sheet.</p>

<p style="text-align: right;">Page 10</p> <p>1 Q. Okay. Okay, what is the lowest --      2 Suppose you didn't sell any cars. How      3 much would be your monthly payment that month to      4 First Hawaiian Bank?</p> <p>5 A. First Hawaiian Bank has two other notes      6 that I have to debt service every month. One is a      7 capitalization note, and one is a note that I      8 borrowed from them to put into the company.</p> <p>9 Q. Okay, and I take it on those two notes      10 there is a fixed amount that you have to pay each      11 month?</p> <p>12 A. Yes.</p> <p>13 Q. How much is the payment?</p> <p>14 A. \$30,000.</p> <p>15 Q. Is that for both notes?</p> <p>16 A. Yes.</p> <p>17 Q. And is it correct that those notes have      18 nothing to do with the financing of the vehicles      19 then?</p> <p>20 A. That's right.</p> <p>21 Q. Are the vehicles collateral for those      22 notes?</p> <p>23 A. Everything JJCO has is collateral for      24 those notes.</p> <p>25 Q. Okay. Okay, so then I take it there's a</p>	<p style="text-align: right;">Page 12</p> <p>1 A. That's correct.</p> <p>2 Q. Okay, so how does the number of cars      3 that you sold play into the calculation of the      4 monthly obligation to First Hawaiian Bank, if at      5 all?</p> <p>6 A. Well, the principal, if we sell the car,      7 we have to pay off the bank the principal on the      8 car.</p> <p>9 Q. Okay. So you talked about how First      10 Hawaiian actually holds the titles to the used      11 cars --</p> <p>12 A. Yes.</p> <p>13 Q. -- that you have for sale here, so how      14 do you get that title back? Do you actually have to      15 take that check to them at the same time that they      16 give you the title?</p> <p>17 A. Yes.</p> <p>18 Q. So if somebody buys a used car from you,      19 they bring you, say, a cashier's check, what do you      20 give them?</p> <p>21 A. We give them a registration, a temporary      22 registration --</p> <p>23 Q. Okay.</p> <p>24 A. -- and then we are obligated to convert      25 the title into their name within thirty days,</p>
<p style="text-align: right;">Page 11</p> <p>1 third loan which is your flooring arrangement?</p> <p>2 A. Yes.</p> <p>3 Q. Okay, and the flooring arrangement, if      4 you don't sell any cars, how much do you pay on that      5 each month?</p> <p>6 A. Well, there's obviously the interest has      7 got to be paid.</p> <p>8 Q. Okay, how much is that?</p> <p>9 A. Well, that's the moving target that I      10 was talking about, depending on how many cars are      11 financed or floored.</p> <p>12 Q. Okay, so what's the low, and what's the      13 high?</p> <p>14 A. It's -- it's -- there is no -- I can't      15 give you a window there.</p> <p>16 Q. Well, within the last twelve months,      17 what is the lowest payment that you recall?</p> <p>18 A. I can't recall.</p> <p>19 Q. Okay, and in the last twelve months,      20 what is the highest that it has been?</p> <p>21 A. Well, if I can recall, maybe \$15,000.</p> <p>22 Q. And is it correct that that interest      23 obligation is determined by how much the balance is      24 that you got borrowed on the flooring line, but not      25 necessarily by how many cars you sold?</p>	<p style="text-align: right;">Page 13</p> <p>1 according to Hawaii law.</p> <p>2 Q. Okay. So you give them a temporary      3 title of some kind, and then you go process -- go      4 take the money to the bank and process the paperwork      5 that the bank provides to you and send them a title      6 in the mail, something like that?</p> <p>7 A. That's correct.</p> <p>8 Q. What is JJCO's monthly payroll?</p> <p>9 A. Approximately 150,000.</p> <p>10 Q. What is the payroll for the service      11 department?</p> <p>12 A. Oh, I can't tell you that.</p> <p>13 Q. Is that because you don't know?</p> <p>14 A. I don't know.</p> <p>15 Q. What is the revenue monthly for the      16 service department?</p> <p>17 A. Last month, it was \$89,000.</p> <p>18 Q. Is that a typical month?</p> <p>19 A. It's off about 20 percent.</p> <p>20 Q. Okay, so it could be up to \$100,000,      21 something like that?</p> <p>22 A. That's correct.</p> <p>23 Q. What is the monthly revenue of the parts      24 department?</p> <p>25 A. Last month, it was \$79,000.</p>

<p>1 Q. And what is a typical month?</p> <p>2 A. About there.</p> <p>3 Q. Okay, and what is JJCO's revenue from</p> <p>4 the sale of used cars monthly?</p> <p>5 A. Approximately 50,000.</p> <p>6 Q. And is that an average month?</p> <p>7 A. Yeah, it was a pretty good month last</p> <p>8 month.</p> <p>9 Q. Okay. So what would be the range?</p> <p>10 A. 30 to 50.</p> <p>11 Q. And what is JJCO's monthly revenue from</p> <p>12 the sales of new cars?</p> <p>13 A. Approximately 40 to 50.</p> <p>14 Q. What does a new Volvo sell for? What is</p> <p>15 the cheapest new Volvo you sell?</p> <p>16 A. Approximately \$30,000.</p> <p>17 Q. Okay, so the numbers you are stating for</p> <p>18 sales of new cars would indicate one or two new cars</p> <p>19 a month?</p> <p>20 A. That's operating income off of the sale</p> <p>21 of the cars.</p> <p>22 Q. Okay, so the 40 to 50,000 is the actual</p> <p>23 profits net the cost of the cars then?</p> <p>24 A. No, because there's other costs to get</p> <p>25 to that number, there's other costs achieving that</p>	<p>Page 14</p> <p>1 revenue.</p> <p>2 Q. Of course, and other than commissions to</p> <p>3 the salesman, what other expenses are you thinking</p> <p>4 of?</p> <p>5 A. \$66,000 a month rent factor.</p> <p>6 Q. Who is your landlord?</p> <p>7 A. Bishop Estate.</p> <p>8 Q. What else?</p> <p>9 A. I would have to see the financial</p> <p>10 statement, and I can read them off to you. There's</p> <p>11 obviously power and electricity. There's a business</p> <p>12 office expense documenting the deal. There's other</p> <p>13 labor besides salespeople to get the car ready.</p> <p>14 Q. Anything else that comes to mind?</p> <p>15 A. Oh, I need the document in front of me.</p> <p>16 I mean, there's --</p> <p>17 Q. Okay.</p> <p>18 A. \$350,000 worth of expenses.</p> <p>19 Q. Okay. Is that your monthly expenses</p> <p>20 here is 350,000 approximately?</p> <p>21 A. Approximately.</p> <p>22 Q. And the figure of \$150,000 payroll, that</p> <p>23 includes the commissions to the salesman?</p> <p>24 A. Yes.</p> <p>25 Q. And that includes the other items that</p>
<p>1 number.</p> <p>2 Q. Okay. So I am just trying to understand</p> <p>3 what the 40 to 50 represents. Is that after payment</p> <p>4 of all the costs associated with the sale?</p> <p>5 A. No.</p> <p>6 Q. Okay.</p> <p>7 A. That's the revenue before costs.</p> <p>8 Q. That's the revenue in excess of the cost</p> <p>9 of the car --</p> <p>10 A. Of the car.</p> <p>11 Q. -- but not the sales commissions and the</p> <p>12 other expenses?</p> <p>13 A. The other expenses selling the car, yes.</p> <p>14 Q. All right. So approximately how many</p> <p>15 new cars would that equate to?</p> <p>16 A. Last month, it was fifteen new cars.</p> <p>17 Q. Okay, now, approximately how many used</p> <p>18 cars per month do you sell?</p> <p>19 A. Fifteen to twenty.</p> <p>20 Q. So the figure that you gave of 30,000 to</p> <p>21 50,000 dollars would also be net of the cost of the</p> <p>22 car, then?</p> <p>23 A. That number is -- is the difference</p> <p>24 between the cost of the car and what we sold the car</p> <p>25 for, however, there's expenses achieving that</p>	<p>Page 15</p> <p>1 you had listed as labor, like labor to get the car</p> <p>2 ready, that sort of thing as well, right?</p> <p>3 A. Yes.</p> <p>4 Q. And that includes the parts department</p> <p>5 and the service department employees and all of</p> <p>6 those things?</p> <p>7 A. Yes.</p> <p>8 MR. KING: Lex, just for purposes of</p> <p>9 this deposition so that I understand what this</p> <p>10 information is going to be used for, we have a</p> <p>11 confidentiality agreement in this case. Are you</p> <p>12 willing to agree that this information will only be</p> <p>13 used for purposes of this litigation and won't be</p> <p>14 disseminated to third parties?</p> <p>15 MR. SMITH: Absolutely. If I feel the</p> <p>16 need to disclose it to anybody else, I will tell you</p> <p>17 first and give you the opportunity to object or to</p> <p>18 do whatever you want to do. At the moment, I have</p> <p>19 no intention of using it anywhere except in the</p> <p>20 court.</p> <p>21 MR. KING: Okay.</p> <p>22 Q. (By Mr. Smith) Okay. You gave me a</p> <p>23 figure of 350,000 for all the overhead per month of</p> <p>24 keeping JJCO open; is that right?</p> <p>25 A. Yes.</p>

1 Q. What is the gross monthly revenue of 2 JJCO? 3 A. It is \$310,000 for May. 4 Q. And what is an average month? 5 A. 320. 6 Q. Okay, now, is JJCO current on all of its 7 loans to First Hawaiian Bank? 8 A. We have a situation in the car business 9 called sold out of trust. 10 Q. Right. 11 A. Are you aware of that? 12 Q. I am going to ask you to explain it, but 13 the . . . 14 A. Okay, I am currently sold out of trust, 15 which means that I have sold cars that I haven't 16 paid the bank for yet. 17 Q. Is that new cars or used cars? 18 A. Both. 19 Q. Was that done with First Hawaiian's 20 consent? 21 A. No. 22 Q. Okay, now, well, you just explained to 23 me how you can't get the title from First Hawaiian 24 to sell a used car without taking them the money 25 first, so how did you sell a car without First	Page 18 1 obligations? 2 A. Well, one of the ways that they do it is 3 that the flooring agreement is an annual agreement 4 annualized, and they have basically put me on notice 5 by only doing a flooring agreement ninety days at a 6 time. 7 Q. And how long has that arrangement been 8 in place, the ninety days? 9 A. That started sometime last year. 10 Q. Was that not in effect at the time we 11 went to trial in 2000, when was it, 2010? 12 MS. WANG: 2010. 13 Q. (By Mr. Smith) I thought I remembered 14 you testifying about it. 15 A. Okay, so that was last year, so you're 16 right, yeah. 17 Q. Okay. Now, at the time of your trial 18 testimony, my recollection is that you had said the 19 ninety day renewal was related to the new Isuzus 20 that you had. Do you remember that? 21 A. Yes, that's how I started because I had 22 the negative equity on the Isuzus. 23 Q. By the way, what has happened to those 24 Isuzus? 25 A. They fell off the earth. They are gone.	Page 18	Page 20
1 Hawaiian's consent? 2 A. I don't need their consent to sell the 3 car. 4 Q. So did you sell the car and not provide 5 the customer with a title? 6 A. What we do is whenever I said we are 7 sold out of trust, that is within that thirty day 8 window that I talked about for licensing purposes. 9 We will take other revenue to go pay off that car to 10 get the car title. 11 Q. Okay. Okay, so back to my question, is 12 JJCO current on all of its obligations to First 13 Hawaiian Bank? 14 A. No. 15 Q. Okay, which obligations are not current? 16 A. We are sold out of trust. 17 Q. Okay, other than the sold out of trust? 18 A. No. 19 Q. What else? 20 A. No, that's it. 21 Q. That's it. So as far as First Hawaiian 22 knows, you are current on all of their loans? 23 A. They know when I am SOT. 24 Q. Okay. Has First Hawaiian given you any 25 notice that you are in default on any of your	Page 19 1 Q. You sold them? 2 A. Yes. 3 Q. And that was with First Hawaiian's 4 consent? 5 A. Well, yeah, I had to borrow the money to 6 cover the negative equity. 7 Q. You borrowed the money from First 8 Hawaiian? 9 A. Yes. 10 Q. And which loan is that balance a part 11 of? 12 A. The capitalization loan. 13 Q. What is the balance owed today on the 14 capitalization loan? 15 A. \$815,000. 16 Q. And what is the balance on the other 17 loan that you described? You said there were two 18 notes that have a \$30,000 approximate monthly 19 payment. 20 A. 3.8 million. 21 Q. Jackson Volvo has a relationship with 22 Volvo; is that correct? 23 A. Yes. 24 Q. Can you describe that relationship for 25 me?	Page 19	Page 21

<p>1 A. We are an authorized franchised dealer 2 selling new Volvos, parts, and service.</p> <p>3 Q. Okay, is that relationship covered by a 4 contract?</p> <p>5 A. There is a sales and service agreement, 6 yes.</p> <p>7 Q. Are there any other contracts that you 8 have with Volvo?</p> <p>9 A. No.</p> <p>10 Q. Is the contract that you have with Volvo 11 assignable?</p> <p>12 A. Normally, whenever there is a franchise 13 sold, it's not assigned. It's -- there's a new one 14 issued.</p> <p>15 Q. Okay, do you know if the contract is 16 assignable?</p> <p>17 A. I don't know.</p> <p>18 Q. Okay. We served a couple of documents 19 on JJCO asking for certain documents to be produced. 20 Have you seen those?</p> <p>21 A. No.</p> <p>22 Q. Who at JJCO would have been responsible 23 to gather the documents that were requested?</p> <p>24 A. Debbie Tesoro.</p> <p>25 Q. How long has Debbie been with JJCO?</p>	<p>Page 22</p> <p>1 A. Well, it is 2005. I'm sorry, I can't 2 remember that far back.</p> <p>3 Q. Okay, well, I guess what I am asking is 4 whether the 1.6 million was provided in cash or 5 whether there was some other way that JJCO became 6 indebted to you for the million six?</p> <p>7 A. It would have been by cash.</p> <p>8 Q. And what was the reason for that loan?</p> <p>9 A. Well, obviously, that JJCO didn't have 10 capital to work with.</p> <p>11 Q. Okay, and why was JJCO in need of 12 \$1,600,000 in capital? I thought the auto business 13 really took a dive in about 2008, so I'm curious why 14 in 2005 JJCO had hit such hard times that it needed 15 \$1,600,000 loan?</p> <p>16 A. I would have to go back and look to see 17 why. I would believe we just needed the capital. I 18 mean, I wouldn't loan it if it didn't need it.</p> <p>19 Q. Okay, now, you said that the balance 20 that is owed to you is about 4,000,000 today?</p> <p>21 A. Yes.</p> <p>22 Q. How did the balance grow from 1,600,000 23 in 2005 to 4,000,000 today?</p> <p>24 A. Well, you are correct on the hard times. 25 '07, '08, '09, and 2010 were just devastating for</p>
<p>1 A. 2006.</p> <p>2 Q. And where did she work before that?</p> <p>3 A. Cutter, the Cutter organization.</p> <p>4 Q. JJCO has borrowed certain money from 5 you; is that correct?</p> <p>6 A. That's correct.</p> <p>7 Q. And what is the balance of those loans?</p> <p>8 A. Approximately \$4,000,000.</p> <p>9 Q. What was the original balance of them?</p> <p>10 A. 1.6.</p> <p>11 Q. And when was the 1.6 million dollar 12 obligation incurred?</p> <p>13 A. I would have to look at the date on the 14 document.</p> <p>15 Q. Okay, can you say approximately?</p> <p>16 A. 2005.</p> <p>17 Q. Did you write a check to JJCO for 1.6 18 million dollars in 2005?</p> <p>19 A. That could have been multiple checks.</p> <p>20 I'm not sure.</p> <p>21 Q. Okay. But you wrote checks from Jack 22 Jackson to JJCO in the total amount of \$1,600,000?</p> <p>23 A. Evidently, yes.</p> <p>24 Q. Well, I am not asking if it is 25 evidently.</p>	<p>Page 23</p> <p>1 the industry, and so I kept putting money in hoping 2 it would turn around.</p> <p>3 Q. Okay. So this balance has grown because 4 of additional cash that you have put into the 5 company, then?</p> <p>6 A. Yes.</p> <p>7 Q. And has that cash been contributed to 8 the company in the form of checks?</p> <p>9 A. Yes.</p> <p>10 Q. Do you know if the checks that reflect 11 these loans to JJCO have been produced?</p> <p>12 A. There are some that have been produced.</p> <p>13 Q. Okay, which one?</p> <p>14 A. I don't know.</p> <p>15 Q. Okay, why some and not the rest?</p> <p>16 A. The archives just weren't there to do 17 it. You would have to check with Debbie on that.</p> <p>18 Q. Okay.</p> <p>19 A. I'm sorry, I can't tell you.</p> <p>20 Q. All right, well, we will ask Debbie. Do 21 you receive any compensation from JJCO?</p> <p>22 A. Yes.</p> <p>23 Q. What do you receive?</p> <p>24 A. I have a \$10,000 salary. JJCO pays some 25 peripheral expenses for me, my condo maintenance,</p>

<p>1 and things like that.</p> <p>2 Q. Well, approximately what do those total?</p> <p>3 A. 1800 bucks. There's some property tax</p> <p>4 that JJCO pays. My CPA has elected to do it this</p> <p>5 way because of being a sub S corp., and when I do my</p> <p>6 taxes, it all comes down in one funnel --</p> <p>7 Q. It comes back to you anyway?</p> <p>8 A. Right.</p> <p>9 Q. Okay, what else?</p> <p>10 A. I would have to go look. There's still</p> <p>11 numerous things, small things, telephones, things</p> <p>12 like that.</p> <p>13 Q. Does JJCO provide you with a car?</p> <p>14 A. Yes.</p> <p>15 Q. Is that car financed by First Hawaiian</p> <p>16 Bank?</p> <p>17 A. Yes.</p> <p>18 Q. Is it financed under the flooring</p> <p>19 arrangements that we have discussed earlier, or is</p> <p>20 there a different loan on the car?</p> <p>21 A. It is financed under the flooring</p> <p>22 arrangement on the demo side, demonstrators.</p> <p>23 Demonstrators are paid and financed differently.</p> <p>24 Q. How many demos do you have here?</p> <p>25 A. Three.</p>	<p>Page 26</p> <p>1 A. That's correct.</p> <p>2 Q. And why is that?</p> <p>3 A. I don't -- I can't answer that.</p> <p>4 Q. All right. Well, is it your decision or</p> <p>5 the board of director's decision or the accountant's</p> <p>6 decision or whose?</p> <p>7 A. I guess it's my decision.</p> <p>8 Q. Okay, and in that case, I guess, do you</p> <p>9 know of a reason why that would be a stockholder</p> <p>10 draw and not a pay down of debt?</p> <p>11 A. I have never discussed that with Taryn.</p> <p>12 I don't -- it never became a subject.</p> <p>13 Q. Okay. Do you know if the JJCO</p> <p>14 financials for 2005 have been produced?</p> <p>15 A. I would have to check with Debbie.</p> <p>16 Q. Okay. Debbie would be the one who would</p> <p>17 know that?</p> <p>18 A. Yes.</p> <p>19 Q. When you gave figures for used car sales</p> <p>20 and new car sales, we talked about how those figures</p> <p>21 were net of the cost of the cars. What about the</p> <p>22 parts and service figures? Are those gross revenue</p> <p>23 figures, or are those also net of the cost of the</p> <p>24 parts?</p> <p>25 A. It is net of the cost of the parts.</p>
<p>1 Q. Those are all new car demos?</p> <p>2 A. Yes.</p> <p>3 Q. And what is the financing arrangement</p> <p>4 that's made for demos?</p> <p>5 A. The principal and interest are paid</p> <p>6 monthly, and the principal varies. I'm not sure of</p> <p>7 the formula on that.</p> <p>8 Q. The interest rate varies, though?</p> <p>9 A. Well, the interest would vary each month</p> <p>10 because of the declining balance. It is a simple</p> <p>11 interest note, so the interest should be less every</p> <p>12 month.</p> <p>13 Q. Anything else that you receive that's</p> <p>14 got value in excess of \$1,000 a month that you</p> <p>15 receive from JJCO?</p> <p>16 A. Occasionally, I will take a couple</p> <p>17 thousand dollars cash, but it goes against</p> <p>18 stockholder draw.</p> <p>19 Q. Did you ever receive anything in</p> <p>20 repayment or in partial repayment of the loans that</p> <p>21 JJCO owes to you?</p> <p>22 A. No.</p> <p>23 Q. So when you take a stockholder draw,</p> <p>24 that is not repayment or a partial repayment of the</p> <p>25 loan?</p>	<p>Page 27</p> <p>1 Q. Okay, and for service, are the figures</p> <p>2 net of the labor to do the service or what?</p> <p>3 A. Yes, it is net of the labor, however,</p> <p>4 there's -- there's management, and there's other</p> <p>5 employees, and there's other expenses that are met.</p> <p>6 I think that once you see the financial, you will</p> <p>7 see all of these expenses that will show you that</p> <p>8 will answer your question better for you.</p> <p>9 Q. Okay. The figure you gave me of</p> <p>10 \$310,000 revenue for May, is that figure net of some</p> <p>11 costs also?</p> <p>12 A. No, that's gross.</p> <p>13 Q. That's the gross revenue. See, because</p> <p>14 I guess I am looking at service of 89,000 net of --</p> <p>15 A. Those are gross, those are gross income</p> <p>16 numbers that haven't had the expenses applied to</p> <p>17 them yet.</p> <p>18 Q. Okay, I thought you just said that the</p> <p>19 service figure of \$89,000 was net of the labor.</p> <p>20 A. No, it's not.</p> <p>21 Q. It's not?</p> <p>22 A. No, it's not.</p> <p>23 Q. Okay, but the parts figure of 79,000 is</p> <p>24 net of the cost of the parts?</p> <p>25 A. Yes. That is, again, if I had the</p>

1 financial in front of me, it would be easier to 2 explain it to you. 3 Q. You could explain it to me? 4 A. Yes. 5 Q. Okay. Does JJCO have any plans to go 6 out of business? 7 A. I have talked to a bankruptcy attorney. 8 Q. How long ago did you have that 9 conversation? 10 A. Last year. 11 Q. In 2010 sometime? 12 A. That's correct. 13 Q. Was that after the conclusion of the 14 trial? 15 A. Yes. 16 Q. Have you spoken with a bankruptcy 17 attorney in 2011? 18 A. No. 19 Q. Do you have any -- 20 Have you done anything towards possibly 21 closing down JJCO in 2011? 22 A. No. 23 Q. Has business been better or worse in 24 2011 than it was in 2010? 25 A. Better.	Page 30  1 funds to cover these obligations is the parts, 2 service, and used and new car sales here. Is there 3 any other source of revenue that JJCO has? 4 A. No. 5 Q. And does JJCO have bank accounts at any 6 bank other than First Hawaiian? 7 A. No. 8 Q. Which branch of First Hawaiian do you 9 bank at? 10 A. On line today, it's a different story. 11 I believe it is the Kapiolani branch. 12 Q. So the payroll is paid out of the First 13 Hawaiian account? 14 A. Yes. 15 Q. And the rent is paid out of the First 16 Hawaiian account? 17 A. Yes. 18 Q. And all of JJCO's other obligations are 19 paid out of the First Hawaiian account? 20 A. That's correct. 21 Q. Now, when we served a garnishment on 22 First Hawaiian Bank, they said that they had set off 23 the funds that were in their account against their 24 loan. Do you recall that? 25 A. Yes.
Page 31  1 Q. What is the source of the revenue that 2 JJCO uses to make its payroll of \$150,000 a month? 3 A. Those numbers that I told you earlier, 4 parts, service, sales. 5 Q. Has JJCO ever been unable to make its 6 payroll? 7 A. No. 8 Q. What is the source of the revenue that 9 JJCO uses to pay its \$66,000 per month rent to 10 Bishop Estate? 11 A. Those revenue figures I gave you earlier. 13 Q. Has JJCO ever been unable to make its rent payment to Kamehameha Schools? 15 A. Yes. 16 Q. And what was the result? They are not known for being the nicest landlord in the State. 18 A. I had a workout plan with them to clean it up with penalties having to be paid. 20 Q. And has that all been taken care of now? 21 A. Yes. 22 Q. When did you get behind in the rent with Kamehameha Schools? 24 A. 2009, 2010. 25 Q. And you described how the source of the	Page 33  1 Q. So how did you pay your payroll that 2 month? 3 A. Obviously, revenue was still coming in, 4 and that was only a week that they offset. 5 Q. So was there enough? 6 A. Enough? For payroll? 7 Q. Right. 8 A. We covered payroll. 9 Q. Did you have enough revenue to cover all 10 of your expenses -- 11 A. No. 12 Q. -- that month? 13 A. No. 14 Q. Which ones did you not pay? 15 A. I can't recall. I have about seventy 16 vendors. 17 Q. So is it correct that the larger vendors 18 you took care of? 19 A. I can't answer that. I don't know. 20 Q. Okay, would Debbie know? 21 A. She may. 22 Q. If not you and not Debbie, who would we ask? 24 A. You have got to go look in the docs, the documents.

1       Q. Have the documents necessary to figure 2 this out been produced? 3       A. I don't know. I don't -- I can't answer 4 that. 5       Q. Okay, because you don't know what's been 6 produced? 7       A. I don't know what's been produced. 8       Q. You said that JJCO pays your maintenance 9 on your condominium; is that right? 10      A. That's correct. 11      Q. Where is that condominium located? 12      A. One Waterfront. 13      Q. Do you own any other real estate? 14       MR. KING: Wait a minute. Are you 15 talking about him personally? 16      Q. (By Mr. Smith) Does JJCO make any 17 payments related to any other real estate that you 18 own? 19      A. Personally? 20      Q. Well, who owns the condominium at One 21 Waterfront? 22      A. My trust. 23      Q. Okay. Does JJCO make any payments 24 related to any other real estate that you or JJCO 25 have any interest in, whether in trust by	Page 34  1       A. Yes. 2       Q. What other real estate? 3       A. I have a residence on the Big Island, 4 and I used a mortgage -- I used it to mortgage to 5 pay -- to loan the money to the company. The 6 company, JJCO, is paying me interest on my notes, 7 and that money goes directly to First Hawaiian Bank 8 to satisfy the mortgage. 9       Q. Any other JJCO payments for any real 10 estate or by any other entity that we just 11 discussed? 12       THE WITNESS: Dennis, that's probably 13 Taryn. 14       MR. SMITH: We can break. 15       MR. KING: Can we do that? 16       MR. SMITH: Sure. 17       (Recess was taken.) 18       MR. SMITH: Okay, we are back on the 19 record. 20       A. Okay, let me just clarify something. 21 That was my CPA that I was confirming something 22 with. The \$2,000 draw that I take is not a draw. 23 It is treated as income, ordinary income. 24       Q. (By Mr. Smith) Okay, and do you have 25 anything to clarify regarding the Big Island
Page 35  1 corporation, by partnership, or any other way? 2       A. I need to talk to Dennis for a second. 3       MR. SMITH: Let's take a recess. 4       (Recess was taken.) 5       A. Dennis brought something to my attention 6 on the 2005 note. I told you it is one six. 7       Q. (By Mr. Smith) Okay. 8       A. It is actually one seven. 9       Q. Okay. Okay, anything else you need to 10 correct that you recall -- 11      A. No. 12      Q. -- at the moment? 13       Okay, so the question we were on before 14 we took a break was whether JJCO has paid any of 15 your personal obligations relating to any real 16 estate, other than the condominium at One 17 Waterfront? 18      A. My real estate? What is your question? 19      Q. Okay, okay, let's go back to when I say 20 your real estate, what I am talking about is any 21 real estate that's owned by you, by JJCO, by any 22 trust in which you have any interest, by any 23 corporation or partnership in which you have any 24 interest, or by any other entity that you have any 25 interest in?	Page 37  1       residence? 2       A. The notes that are outstanding to me 3 from JJCO of \$4,000,000 is payable at 7. -- 7.75 4 percent annually. I am taking that as ordinary 5 income at \$15,000 a month, which is a shortfall 6 because it should be \$310,000 a year. I am taking 7 \$15,000 a month, and the money is paid directly to 8 First Hawaiian to satisfy the Big Island mortgage. 9       Q. Okay. Now, defining real estate the way 10 we did before, are there any other payments that 11 JJCO makes on account of any other real estate? 12      A. No. I'm sorry. There's a small piece 13 of property up in Oregon, it pays the annual 14 maintenance. It is worth about \$20,000 for actual 15 value on the property. I just signed a check a 16 while ago. It pays \$500 a year maintenance or 17 something. 18      Q. Okay. Any others? 19      A. No. 20      Q. You said that the One Waterfront 21 condominium is owned by your trust. 22      A. Yes. 23      Q. How many trusts do you have? 24      A. One. 25      Q. Okay. Who is the owner of the Big

<p>1 Island residence?</p> <p>2 A. JJCO Properties.</p> <p>3 Q. What is the relationship between the</p> <p>4 JJCO's that we are here about today and JJCO</p> <p>5 Properties?</p> <p>6 A. I own both of them.</p> <p>7 Q. Any other relationship besides that?</p> <p>8 A. No.</p> <p>9 Q. What is the -- what are the --</p> <p>10 Well, how many mortgages are there</p> <p>11 against the Big Island residence?</p> <p>12 MR. KING: Well, what relevance does</p> <p>13 that have to the issue here?</p> <p>14 MR. SMITH: I think it is relevant</p> <p>15 because one of them is the First Hawaiian loan that</p> <p>16 he says is connected to JJCO, so I need to know</p> <p>17 whether there is anything ahead of that or behind</p> <p>18 it.</p> <p>19 MR. KING: No, you don't really need to</p> <p>20 know that for the purposes of your examination here.</p> <p>21 MR. SMITH: Are you instructing him not</p> <p>22 to answer?</p> <p>23 MR. KING: Unless you can give me some</p> <p>24 indication why it is relevant.</p> <p>25 MR. SMITH: That's why. I need to know</p>	<p>Page 38</p> <p>1 the question, how many loans are there against the</p> <p>2 Big Island residence?</p> <p>3 MR. KING: That's not relevant to the</p> <p>4 issues in this case. That's not property that is</p> <p>5 owned by the company. You have a right to find out</p> <p>6 what assets the company has, what income it has and</p> <p>7 what debts it has, and that's not one of its assets.</p> <p>8 MR. SMITH: Are you instructing him not</p> <p>9 to answer?</p> <p>10 MR. KING: I am just making an</p> <p>11 objection.</p> <p>12 Q. (By Mr. Smith) Okay, go ahead, Mr.</p> <p>13 Jackson.</p> <p>14 MR. KING: And I am giving you a chance</p> <p>15 to state what the relevance is.</p> <p>16 Q. (By Mr. Smith) Mr. Jackson, are you</p> <p>17 going to answer the question or not?</p> <p>18 MR. KING: I am going to instruct him</p> <p>19 not to answer.</p> <p>20 Q. (By Mr. Smith) Okay. What is the</p> <p>21 balance on the loan that you receive \$15,000 a month</p> <p>22 from JJCO?</p> <p>23 A. 4,000,000 and change.</p> <p>24 Q. Okay, I thought you said there was a</p> <p>25 loan against the Big Island residence that JJCO was</p>
<p>1 is it the first mortgage or a third mortgage or a</p> <p>2 ninth mortgage?</p> <p>3 MR. KING: You haven't explained why you</p> <p>4 need to know. All you are saying is you need to</p> <p>5 know. I don't see the relevance.</p> <p>6 MR. SMITH: It is well within the</p> <p>7 permissible rules of discovery.</p> <p>8 MR. KING: I don't think it is, but I am</p> <p>9 giving you an opportunity to show relevance.</p> <p>10 MR. SMITH: If you want to tell him not</p> <p>11 to answer it, tell him.</p> <p>12 MR. KING: If you want to give me some</p> <p>13 indication of relevance, my ears are open.</p> <p>14 Q. (By Mr. Smith) Mr. Jackson, are you</p> <p>15 refusing to answer the question?</p> <p>16 MR. KING: Are you refusing to tell us</p> <p>17 what the relevance is?</p> <p>18 MR. SMITH: I have told you what the</p> <p>19 relevance is.</p> <p>20 MR. KING: No, you haven't.</p> <p>21 MR. SMITH: If you think it is not</p> <p>22 relevant, you have your options.</p> <p>23 MR. KING: Well, you are not giving us</p> <p>24 any indication of what the relevance is.</p> <p>25 Q. (By Mr. Smith) Mr. Jackson, I repeat</p>	<p>Page 39</p> <p>1 paying?</p> <p>2 A. No. JJCO is paying me the interest on</p> <p>3 the note to the money that they owe me. That money</p> <p>4 flows through me to First Hawaiian Bank.</p> <p>5 Q. Okay.</p> <p>6 A. The money that I borrowed --</p> <p>7 Q. And what does the 15,000 that JJCO pays</p> <p>8 to you, what debt is that applied to?</p> <p>9 MR. KING: I think he just answered the</p> <p>10 question.</p> <p>11 A. Yes, it is the interest on the</p> <p>12 \$4,000,000.</p> <p>13 Q. (By Mr. Smith) When you give the 15,000</p> <p>14 that you receive from JJCO to First Hawaiian Bank,</p> <p>15 does it pay down an obligation to First Hawaiian</p> <p>16 Bank?</p> <p>17 A. No.</p> <p>18 Q. What does First Hawaiian do with the</p> <p>19 15,000 when they get it?</p> <p>20 A. It pays the interest for the month.</p> <p>21 Q. Interest owed to First Hawaiian?</p> <p>22 A. Yes.</p> <p>23 Q. On what loan?</p> <p>24 A. The money that I borrowed to put into</p> <p>25 the company.</p>

<p>1 Q. And how much was that? 2 A. It is currently 3.8 million dollars. 3 Q. You borrowed 3.8 million to put into 4 JJCO? 5 A. That's correct. 6 Q. From First Hawaiian? 7 A. That's correct. 8 Q. And what is the collateral for that 3.8 9 million dollar loan? 10 A. The residence. 11 Q. The Big Island residence? 12 A. Yes. 13 Q. Is JJCO a borrower on the 3.8 million 14 dollar loan? 15 A. No. 16 Q. Is there any collateral for the 3.8 17 million dollar loan other than the Big Island 18 residence? 19 A. No. 20 Q. And if I understood your testimony 21 correctly, the 3.8 million dollar loan, the 22 collateral for the 3.8 million dollar loan is not 23 owned by JJCO, and JJCO has no interest in that 24 collateral? 25 A. That's correct.</p>	<p>Page 42</p> <p>1 A. Yes. 2 Q. What else? 3 A. Pardon? 4 Q. What other obligations have you 5 personally guaranteed of JJCO's? 6 MR. KING: You mean to First Hawaiian 7 Bank? 8 MR. SMITH: No. He said all of the 9 obligations to First Hawaiian Bank are personally 10 guaranteed by him. 11 Q. (By Mr. Smith) Okay, so I am asking you 12 what other obligations in addition to those to First 13 Hawaiian Bank have you guaranteed? 14 A. None that I can recall. 15 Q. What about the Volvo? 16 A. There's no personal guarantee needed 17 with a car dealer franchise, with a car agency. 18 Q. How much is the monthly maintenance 19 charge at One Waterfront? 20 A. I told you earlier it is 1800. 21 Q. Is there any other arrangement that JJCO 22 has like the arrangement regarding the Big Island 23 residence? 24 A. No. 25 Q. So I am just trying to add up what you</p>
<p>1 Q. What is the interest rate on the 3.8 2 million dollar loan? 3 THE WITNESS: Is that relative, Dennis? 4 MR. KING: Well, it's not a JJCO loan. 5 What difference would that make, I guess? 6 MR. SMITH: Well, I am exploring why 7 JJCO is paying this loan -- 8 A. JJCO is not paying the loan. JJCO is 9 paying me. I am paying the loan. 10 Q. (By Mr. Smith) Okay. But you also are 11 not a title holder of the Big Island property; is 12 that right? 13 A. That's correct. 14 Q. So why are you paying the loan on this 15 property if it is not owned by you? 16 A. I guaranteed the property note. 17 Q. You gave a personal guarantee? 18 A. Yes. 19 Q. Have you given a personal guarantee for 20 any of JJCO's obligations? 21 A. Yes. 22 Q. Which ones? 23 A. All of them. 24 Q. All of the obligations to First Hawaiian 25 Bank?</p>	<p>Page 43</p> <p>1 get from JJCO each month. You get a \$10,000 salary, 2 \$15,000 interest payment, \$1,800 condo maintenance 3 fee, and you get, I guess, \$500 a year on a property 4 in Oregon, for maintenance on a property in Oregon, 5 and shareholder draws which are treated as ordinary 6 income. Anything else, anything over \$1,000? 7 A. You would have to check with Debbie. 8 Q. Okay. 9 A. I can't recall anything else. 10 Q. How often do you take shareholder draws? 11 A. They are not, again, shareholder draws. 12 Q. Okay. 13 A. They're not shareholder draws. 14 Q. Okay. 15 A. They are just advances against my 16 income -- 17 Q. Okay. 18 A. -- and that is sporadic. There is no 19 set -- 20 Q. Okay, so four or five times a year? Is 21 the amount sporadic also? 22 A. Yes. 23 Q. Okay. 24 A. I would believe it was four times last 25 year. I don't recall. I don't pay attention to</p>

1   that. 2   Q. Okay. Do you know if the records have 3   been produced to us that would show what those 4   amounts are? 5   A. I don't know. 6   Q. Are your sons employees of JJCO? 7   A. Yes. 8   Q. All right, I'm sorry, can you tell me 9   their names again? 10   A. David and Marc. Marc is with a C. 11   Q. And how much salary does David receive 12   from the company? How much salary does David 13   receive? 14       THE WITNESS: Is that relevant? Help me 15   out here, Dennis. Is that necessary? 16       MR. KING: Do you need to know the 17   amount of their salaries? 18       MR. SMITH: I think if the salary is out 19   of -- is not commensurate with the amount of work 20   that is done, it is highly relevant to a number of 21   questions on the collection of our judgment. 22       MR. KING: Is it commensurate with the 23   work that they do? 24       A. Oh, they are underpaid, believe me. 25   \$3,800 a month.	Page 46 1 try to do the same thing with the new cars. I 2 gather First Hawaiian funds your cost on the new 3 cars at the time you order them; is that right? 4       A. That's correct. 5       Q. Okay, I learned something about this 6   during our trial. So that's automatic that you wind 7   up obligated for a specific amount for every new car 8   that you order? 9       A. That's correct. 10      Q. And then when you sell it, you 11   presumably sell it for something more than what the 12   bank's lien is against it? 13       A. Hopefully. 14       Q. Okay, in most cases. Now, the bank's 15   lien, does that increase every month, or do you pay 16   the interest on it every month? 17       A. Interest. 18       Q. You pay the interest on that loan every 19   month? 20       A. Yes. 21       Q. Okay. So when you sell the car, you 22   would have to take care of the principal of the 23   loan? 24       A. Yes. 25       Q. But the interest is already taken care
Page 47 1   Q. (By Mr. Smith) They both receive 3,800 2   a month? 3   A. Marc is a little more. He is on a 4   commission because he is a sales manager. I don't 5   know exactly what it is. He could have made -- this 6   year he was making about \$4,000 a month. Business 7   got a little better, he's making a little more. I 8   don't know exactly how much. 9   Q. What do they receive besides salary? 10   A. Nothing. Marc gets a demo to drive. 11   Q. Is David a salesman, or does he do 12   something else? 13   A. He works in a little shop in Hilo as a 14   service advisor. 15   Q. Do any other people -- 16       Are there any other employees of JJCO 17   who are related to you? 18   A. No. 19   Q. Does Marc also work in Hilo? 20   A. No. 21   Q. He works here -- 22   A. This is his office. 23   Q. We kind of went through the mechanics of 24   how a used car gets sold, how you clear First 25   Hawaiian's lien when you sell it, and I wanted to	Page 49 1 of? 2       A. Yes. 3       Q. Okay. So how do you title the new car? 4   Is it the same as the used car? 5       A. No. A used car has already been titled. 6       Q. Right. 7       A. A new car is not titled. There's an MSO 8   that comes to the dealer from the manufacturer, the 9   manufacturer's statement of origin, MSO. That MSO 10   is turned into the Department of Motor Vehicles that 11   creates a title. 12       Q. And you do that after you have sold the 13   car? 14       A. That's correct. 15       Q. Okay, so somebody walks in here with 16   cash, buys the car, you give them some kind of a 17   temporary title? 18       A. That's right. 19       Q. And then you go process the paperwork to 20   get the permit title issued? 21       A. That's correct. 22       Q. Okay, at what point does the bank 23   release its lien? 24       A. I suppose the answer to that question 25   when is we pay them off.

<p style="text-align: right;">Page 50</p> <p>1 Q. Okay. So, well, let's follow the money, 2 then, as they say. Somebody walks in here, hands 3 you, I don't know if it is easier, hands you a 4 cashier's check for the price of the car, drives out 5 in the car. I take it you take that cashier's check 6 and go put it in the bank?</p> <p>7 A. That's correct.</p> <p>8 Q. Okay, now, how does the bank's lien get 9 addressed? Do you write them a check for that?</p> <p>10 A. Yes.</p> <p>11 Q. Okay, so you write them a check for the 12 principal amount that they loaned you against that 13 car?</p> <p>14 A. That's correct.</p> <p>15 Q. Okay, and what does the bank give you 16 for that? Do they give you some kind of a receipt 17 showing that that car has been -- the lien has been 18 released?</p> <p>19 A. The flooring arrangement is a bulk 20 arrangement that encompasses a listing of cars, and 21 once that particular car is paid off via serial 22 number, they match it to serial number and the VIN 23 number, they take it off their list.</p> <p>24 Q. Okay. What would happen -- let me ask. 25 Suppose that the same scenario I just described, you</p>	<p style="text-align: right;">Page 52</p> <p>1 think is what it says. I'm not sure.</p> <p>2 Q. Okay.</p> <p>3 A. Or 48 hours. I'm not sure.</p> <p>4 Q. Okay, and so at that point, the balance 5 that's in your account is not encumbered by any 6 obligation; is that right?</p> <p>7 A. The balance in my account?</p> <p>8 Q. In other words, after -- if you sell the 9 car, if you pay 20,000 for the car, and you sell it 10 for 25,000, then when you put the 25,000 in the 11 bank, pay the 20,000 --</p> <p>12 A. It's not as simple as that.</p> <p>13 Q. I understand, sure, because you have got 14 overhead. But the only point I am making is the 15 bank doesn't have a lien or that last -- over the 16 excess over what they paid for the car?</p> <p>17 A. Oh, sure they do.</p> <p>18 Q. Okay, and what is the basis of that 19 lien?</p> <p>20 A. Their UCC-1.</p> <p>21 Q. Okay.</p> <p>22 A. I mean, all of my assets are liens with 23 First Hawaiian Bank.</p> <p>24 Q. You understand what a UCC-1 is, right? 25 Yes? You need to answer out loud for the court</p>
<p style="text-align: right;">Page 51</p> <p>1 took the money, and you deposited it in your account 2 at First Hawaiian Bank. Then you went and took your 3 MSO to the State and had a title issued, but you 4 never wrote First Hawaiian the check to clear that 5 vehicle. Would First Hawaiian still have a lien on 6 the car?</p> <p>7 A. I can't answer that.</p> <p>8 Q. You are not sure?</p> <p>9 A. I'm not sure.</p> <p>10 Q. Okay, but you are supposed to write them 11 a check to clear that --</p> <p>12 A. That's correct.</p> <p>13 Q. Okay. Do you do that within 24 hours of 14 the time that you sell the car or --</p> <p>15 A. I am supposed to, but I can't.</p> <p>16 Q. Okay. So I guess what I was asking was 17 do you do it weekly, or do you add it up for all the 18 cars that you sold that week and do it or --</p> <p>19 A. Well, there's no -- there's no 20 particular payoff window to pay the cars. As we get 21 funds, I will pay them off.</p> <p>22 Q. Okay. Okay, well, do you know if the 23 loan documents specify a period within which you are 24 supposed to pay them after you have sold the car?</p> <p>25 A. Yes, it's 24 hours once I am funded, I</p>	<p style="text-align: right;">Page 53</p> <p>1 reporter. You understand what a UCC-1 is?</p> <p>2 A. I don't know where you are going with 3 the question. I don't understand it.</p> <p>4 Q. Okay, but you understand that it means 5 that the holder of the UCC-1 has a claim to all the 6 assets described in the UCC-1?</p> <p>7 A. That's correct.</p> <p>8 Q. And if bank accounts are described in 9 it, then those would be collateral?</p> <p>10 A. That's correct.</p> <p>11 Q. Did you file a UCC-1 in 2005 when you 12 made the loan to JJCO?</p> <p>13 A. I don't know the date that I filed a 14 UCC-1, but I did.</p> <p>15 Q. Okay. If it was 2008, would that sound 16 about right?</p> <p>17 A. Okay, that sounds about right.</p> <p>18 Q. Why did you file it three years after 19 you made the loan?</p> <p>20 A. Because the loans were growing, and I 21 needed to have some assurance that I documented all 22 of these loans properly, and I did that on the 23 advice of my attorney.</p> <p>24 Q. Which attorney was that?</p> <p>25 A. Kidani.</p>

1       Q. Was there anything else that happened 2 around the time that you filed the UCC-1? 3       A. There's a lot of things happening in 4 2008. 5       Q. Anything -- 6       A. Do you want to be a little more 7 specific? 8       Q. Yes, I am asking if there was anything 9 significant that played a role in your decision to 10 file a UCC-1? 11      A. No. 12      Q. So the fact that it was filed right 13 around the same time that you filed your lawsuit 14 against Isuzu, did that have something to do with 15 it? 16      A. I filed it on the advice of my attorney, 17 Kidani. 18      Q. I gather you also filed a lawsuit 19 against Isuzu by the advice of your attorney? 20      A. I'm not sure when the lawsuit was filed. 21      Q. Okay. Well, if I tell you that the 22 UCC-1 was filed around the same time as the lawsuit 23 was filed, I am just asking was there a relationship 24 between those two? 25      A. I filed the UCC-1 based on the advice of	Page 54 1       the relationship you are talking about, the 2 relevancy. 3       Q. (By Mr. Smith) Okay. Well, did you 4 understand at the time that you filed the lawsuit 5 that if you lost, Isuzu could get a judgment for 6 attorney's fees and costs? 7       A. No, I didn't, I wasn't aware of that. 8       Q. Okay. Now, there's certain equipment 9 here at JJCO; is that right? 10      A. That's correct. 11      Q. For example, the equipment that you use 12 to repair automobiles? 13      A. That's correct. 14      Q. What is the approximate cost of that 15 equipment? 16      A. I have no idea. 17      Q. Okay, so you don't know what that 18 equipment is worth? 19      A. No. 20      Q. Does First Hawaiian have a lien over 21 that equipment? 22      A. Yes. 23      Q. And that's pursuant to the same UCC-1? 24      A. Yes. 25      Q. Does JJCO own tools?
Page 55 1       my attorney. 2       Q. I understand that. 3       A. That's my answer. 4       Q. Okay. So in your mind, was there any 5 relationship between the fact that you had sued 6 Isuzu and the fact that you filed that UCC-1 -- 7       A. What was the date of the lawsuit? Can 8 anyone answer that for me? 9       Q. We may have the exact date. It's 2008, 10 it is the fall of 2008, which is also the same 11 approximate time as the filing of the UCC-1, which I 12 think we do have, actually. I think it is September 13 of 2008. 14      A. The lawsuit was September? 15      Q. The UCC-1 was September. I'm guessing 16 the lawsuit was slightly after that. 17      MS. WANG: We don't have the exact date 18 of the lawsuit. 19      THE WITNESS: Pardon? 20      MS. WANG: We don't have the exact date 21 of the lawsuit. 22      A. I don't see any relevance, relevancy 23 there, filing the UCC-1 before the lawsuit, I don't 24 see the relevance of why I would do it that way. I 25 would think if I did, I would file it after based on	Page 57 1       A. There could be some tools that JJCO 2 owns, yes, sure. 3       Q. Did First Hawaiian consent to your 4 filing your own UCC-1 against the same assets that 5 First Hawaiian had filed their UCC-1 against? 6       A. I never asked them. 7       Q. Are you aware that their loan documents 8 prohibit encumbering their collateral with any 9 junior loans? 10      A. I wasn't aware of that. They are in 11 first place. I didn't think it would matter. 12      MR. SMITH: Okay. That's all I have, 13 Mr. Jackson. Thank you very much. 14      (Deposition concluded at 10:51 a.m.) 15 16 17 18 19 20 21 22 23 24 25

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1                   CERTIFICATE  
2   STATE OF HAWAII         )  
3                                 ) SS.  
4   CITY AND COUNTY OF HONOLULU     )  
5                   I, PATRICIA ANN CAMPBELL, CSR 108, do  
hereby certify:

6                   That on June 1st, 2011, appeared before  
7 me JACK JACKSON, the witness whose 59 page  
deposition is contained herein;

8                   That prior to being examined, he was by

9 me duly sworn or affirmed pursuant to Act 110 of the  
2010 Session of the Hawaii State Legislature;

10                  That the deposition was taken down by me  
11 in machine shorthand and was thereafter reduced to  
12 typewritten form under my supervision; that the  
13 foregoing represents, to the best of my ability, a  
true and correct transcript of the proceedings had  
in the foregoing matter;

14                  That pursuant to Rule 30(e) of the  
Hawaii Rules of Civil Procedure, a request for an  
opportunity to review and makes changes to this  
transcript was not made by the deponent or a party  
prior to the completion of the deposition.

15                  I further certify that I am not an  
attorney for any of the parties hereto, nor in any  
way concerned with the cause.

16                  DATED this 7th day of June, 2011, in  
Honolulu, Hawaii.

17  
18  
19  
20  
21  
22  
23  
24                  PATRICIA ANN CAMPBELL, CSR 108  
25                  Certified Shorthand Reporter

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